



Proponent Testimony - Ohio House Bill 143 (Sprague)
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March 20, 2018

Chairman Cupp, Vice-Chairman Carfagna, Ranking Member Ashford and members of the House Public Utilities Committee, my name is Miranda Leppla and I'm the Clean Energy Attorney for the Ohio Environmental Council Action Fund. Thank you for allowing me to give proponent testimony on House Bill 143.

Clean, distributed generation is a key ingredient in transitioning Ohio's electric sector away from fossil fuels because generating power at the point of consumption is inherently more efficient, and reduces reliance on centralized coal-fired power plants. With costs for distributed generation falling and consumer trends in the marketplace showing ever-increasing uptake of these systems, it is imperative that Ohio has a framework in place that allows us to respond to these trends and ensures customer choice. Ohio manufacturing and industrial energy users who invest in on-site generation are doing so to take control of their long-term energy costs and ensure their facilities can compete, both by reducing costs and guaranteeing reliable generation.

When Ohio's electric sector underwent restructuring in 1999 as part of Senate Bill 3, two important changes were made relevant to House Bill 143. First, the kilowatt hour tax was implemented, and was intended to serve as a tax on distribution of electricity. This was included as part of the tax code under Title 57.¹ Also part of Senate Bill 3, the term "self-generator" was defined, permitting an owner or their agent to generate electricity primarily to be consumed by the owner.² Self-generators do so in order to manage their electricity costs or choose the type of energy they consume, and any energy generated and sent back to the grid is simply

¹ R.C. 5727.80(A)(2).

² "Self-generator" means an entity in this state that owns or hosts on its premises an electric generation facility that produces electricity primarily for the owner's consumption and that may provide any such excess electricity to another entity, whether the facility is installed or operated by the owner or by an agent under contract. R.C. 4928.01(A)(32).

excess from that which they intended to produce and consume themselves. This definition was included as part of the public utilities code in Title 49.

Unfortunately, the Ohio Department of Taxation has, in recent years, started assessing the kilowatt hour tax on self-generators who use a third party to generate their electricity, despite the fact that such an arrangement clearly fits within the definition of a self-generator as defined in Title 49. HB 143 will clarify that the definition of “self-generator” indeed applies to a customer who “self-generates” under Title 57 of the tax code, and ensure the kilowatt hour tax is not assessed where it is generated primarily for use by the owner, and whether it is generated by the owner or owner’s agent, as defined under Title 49.

House Bill 143 will, if enacted, provide important clarification of Ohio law to ensure we are a state that meaningfully encourages distributed generation, and stop the practice of implementing a distribution tax upon self-generators--which it was never intended to do.

The consumer trends toward on-site generation are unstoppable and Ohio’s policy should be ready for innovations that Ohio families and businesses are going to be implementing on their own. In the United States, the cost of solar projects have come down by 70% in the last decade³, largely due to high demand and advances in solar technology. This clarification will ensure continued growth of distributed generation systems, like solar and small scale wind, that provide clean, efficient energy to Ohioans, and move us away from fossil fuels that cause dirty air and pollute our water.

OEC Action Fund supports customer choice, and strong, healthy distribution utilities. We believe this revision merely clarifies that a self-generator does in fact, self-generate energy, and ensures that laws related to the kilowatt hour tax be interpreted based upon the applicable definition of self-generator.

Again, thank you for allowing me the opportunity to speak on behalf of House Bill 143. I’d be happy to answer any questions that you may have.

³ <http://www.seia.org/research-resources/solar-industry-data>